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# China's Importance in US Ag Markets

by Chad Hart and Lee Schulz

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**T**HERE'S BEEN a lot of news about China in the last few weeks, from their currency devaluation to significant stock market fluctuations to recent agricultural purchase agreements. Many of these news stories try to address the question of the importance of China to the US economy and assess the impact of Chinese economic shifts on the United States. For agriculture, the importance of the Chinese market has grown significantly over the past decade; however, the impact is targeted at specific sectors within agriculture.

Figure 1 shows the tremendous growth in the value of our agricultural exports to China. Since 2000, China's share of our agricultural exports has increased from two percent to roughly 16 percent in 2014. The shift has been swift and powerful. China has become one of our strongest agricultural trading partners, rivalling Canada, Mexico, and Japan. The growth is even more dramatic when you consider the overall growth in agricultural trade. In 2000, the United States exported \$51 billion of agricultural products—in 2014, that value had tripled to \$150 billion.

China's prominence in US agricultural markets is also highly product-specific, with a strong concentration in oilseeds, livestock feed products, and cotton. Table 1

**Table 1. China's Share of US Ag Exports in 2014 by Product**

Product	Percentage
Total	16.1%
Grain Sorghum	88.6%
Sheep & Lambskins	71.9%
Cattle Hides, Parts	64.1%
Cattle Hides, Whole	63.9%
Corn Oilcake & Meal	61.3%
Soybeans	60.7%
Hog Sausage Casings	41.1%
Wool	39.4%
Whey	25.3%
Cotton	25.2%
Tobacco	19.9%
Variety Meats, Pork	18.9%
Soybean Oil	16.2%
Grains & Feeds	10.9%
Livestock & Meats	10.6%
Dairy & Products	9.8%
Turkey Meat	6.7%
Pork, Fresh, Chilled, or Frozen	4.8%
Corn	0.8%
Egg and Egg Products	0.3%

Source: USDA-FAS

breaks down the US-China agriculture trade relationship by product. As can be seen, China dominates the international trade picture for several products. Nearly 90 percent of US sorghum exports were shipped to China last year and utilized as livestock feed. Animal hides from our livestock sector are frequently shipped to China. For Iowa, the main trade product is soybeans. Roughly 60 percent of US soybean exports (or put another way, 25 percent of the total US soybean crop) finds its way to China.

There have been significant swings in the US-China agriculture trade over the past few years. The cotton market has experienced the largest shifts over the past five years, as China's share of the market has been cut in half, as shown in Figure 2. Tobacco exports have roughly doubled over the same time. Grain and feed trade to China has also doubled in the last five years. Livestock and meat exports have been relatively steady, while dairy exports are slowly increasing.

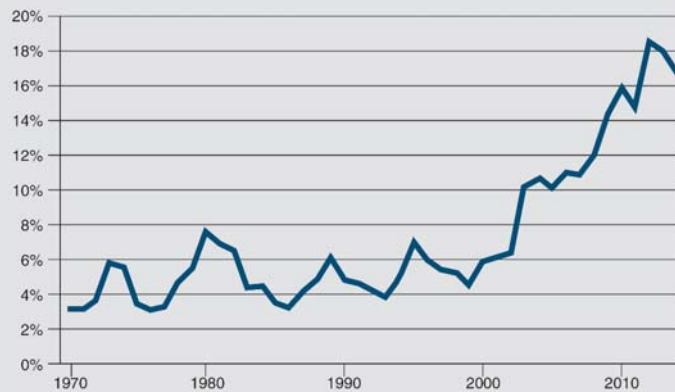
Concentrating on Iowa agricultural products, the Chinese pork market has long been a sought-after market; and while inroads have been made, the largest shares of US-China pork trade are for variety meats, and not for larger pork cuts. This pattern is true across the livestock complex. Roughly 10 percent of US turkey exports are shipped to China, but the egg market has yet to develop, as less than one percent of US egg exports travel across the Pacific as shown in Figure 3. Meanwhile, for the Iowa crop sector, China is the major market for one of our staple crops. China has been the largest, and most consistent, buyer of soybeans for several years. That trend continues today as evidenced by the recent visit and purchase by Chinese President Xi Jinping. While China does purchase some processed soybean products (oil and meal), the vast majority of their soybean trade is for the bean itself. On the other hand, in the corn market, China prefers to purchase the processed corn products, instead of the corn directly. As Figure 4 shows, China has been a relatively small (compared to the soybean market) and inconsistent buyer of US corn. However, the Chinese market has been the major outlet for corn oilcake and meal and dried distillers grains from our ethanol plants.

The patterns within US-China agriculture trade are strongly influenced by the productive capabilities and the government policies of both countries. Chinese agriculture is geared towards a policy of self-sufficiency in a few key

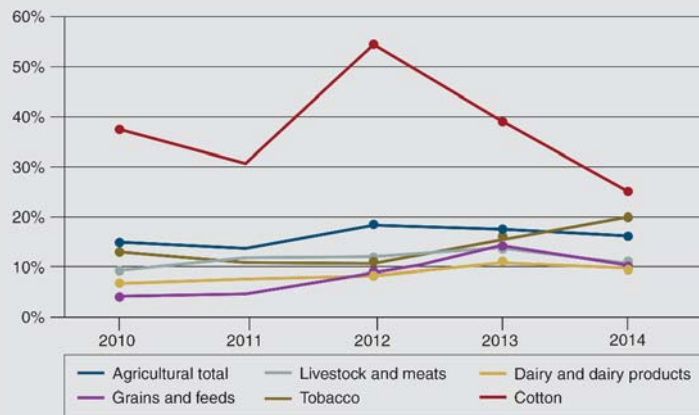
commodities: wheat, corn, rice, and pork. For the most part, over the past couple of decades, China has been self-sufficient in those commodities; however, in order to achieve that, China has ceded the production of other commodities to the rest of the world and relied on agricultural trade to obtain their agricultural requirements. The US soybean market has been a major beneficiary of that.

Looking forward, it is expected that agricultural trade between China and the United States will continue to grow

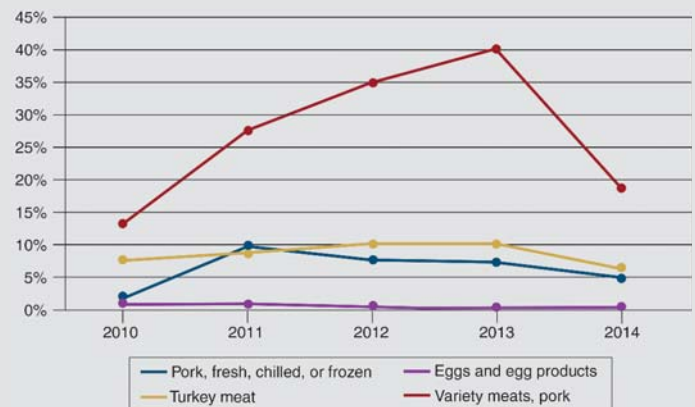
as the Chinese economy evolves. One of the largest driving factors has been, and is expected to be in the future, the growth in China's meat demand. Chinese meat consumption has been growing quickly over the past decade and that is projected to continue. That growth should provide increased opportunities for Iowa crop and livestock products in China. ■



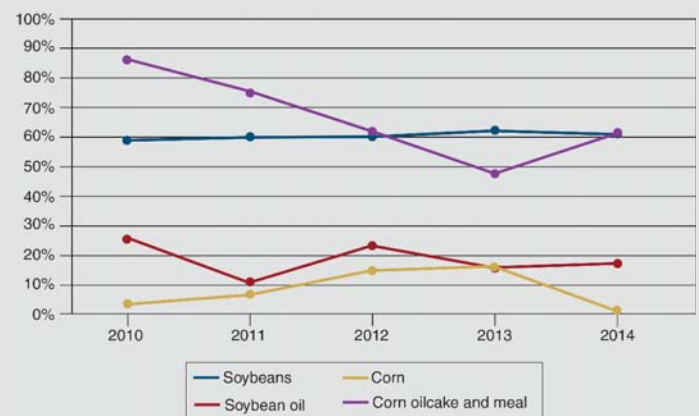
**Figure 1. China's Share of US Agricultural Exports by Value**  
Source: USDA-FAS



**Figure 2. China's Share of US Agricultural Exports, 2010-14**  
Source: USDA-FAS



**Figure 3. Key Iowa Livestock Exports to China**  
Source: USDA-FAS



**Figure 4. Key Iowa Crop Exports to China**  
Source: USDA-FAS